

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT Company Law	SESSION Certificate in Accounting and Finance (CAF) Spring 2022
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Passing %

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
57%	30%	8%	33%	28%	42%	11%	14%	22%	47%	43%	22%

General comments

Overall performance of examinees was unsatisfactory. Poor performance was observed in Question number 3, 7 and 8. Question number 3 and 8 were scenario base questions where examinees failed to identify and apply relevant knowledge of law. Question 7 was straight forward question that requires knowledge of law that pertains to winding up, however, as it was a new topic included in the syllabus, examinees were unable to attempt it properly which may largely be attributed to selective studies.

Performance was comparatively better in MCQs and some knowledge based questions that were part of the syllabus under the old scheme.

Question-wise common mistakes observed

Question 1

- Performance in MCQ no. (iii), (ix), (xi), (xii), (xiv) and (xv) was below average.
- Examinees are once again advised to simply mention the correct option number instead of writing the entire wordings of the correct option.
- Few examinees overwrite the selected option instead of clearly mentioning it legibly.

Question 2(a)

- Examinees were not able to understand that there will be no effect on paid-up share capital due to cancellation of authorized share capital of class B.
- Examinees were unable to compute new face value of class A and B shares after consolidation and sub-division respectively.

Question 2(b)

Examinees were unable to mention that alteration in the memorandum of association is required in respect of authorized capital clause and that special resolution should be filed with the register.

Question 3

- Examinees did not identify that the transaction is a non-cash; consequently, they were unable to produce relevant provisions of law.
- Examinees failed to compute the shareholdings of OL in BEL and consequently, they did not identify that BEL is the subsidiary of OL and failed to mention the requirement related to holding company.

Question 4

- Examinees were not able to establish that by virtue of IPL's common management, both BPL and JPL were associated companies and resultantly they needed to comply with the requirement of investment in associated company prior to grant of loan.
- Those who establish the relationship, failed to cover the following requirements:
 - BPL's directors shall certify that the loan is granted after due diligence and that JPL has the ability to repay the loan.
 - BPL shall keep a register of investments in associated companies.

Question 5(a)

Good performance was observed in this part of the question.

Question 5(b)i

- Examinees wrote requirement of experience in terms of number of years; however, they could not match it with the relevant qualification.
- Examinees did not cover eligibility criteria of 15 years of experience.

Question 5(b)ii

- Examinees either stated the responsibilities partially or covered them on the basis of their guesswork.
- Examinees did not mention that the person shall confirm that he will devote reasonable time for company's affairs to discharge his responsibilities.

Question 5(b)iii

Examinees did not mention that an independent director is also required to submit an undertaking on a non-judicial stamp paper that he meets eligibility criteria.

Question 6(a)

Good performance was observed in this part of the question.

Question 6(b)

- Examinees did not mention that the contents of VL's statutory report with respect to share capital should also cover:
 - the abstract of the receipts and payments, receipts from shares and payment of commission or discount on issue of shares.
 - particulars of commission paid to any of VL's director, chief executive, secretary or to a private company of which he is a director.

Question 6(c)

Good performance was observed in this part of the question.

Question 7(a)

- Examinees were not able to state the responsibilities of a person appointed by the Order of the Court as an official liquidator.
- Examinees did not cover that after receipt of the statement of affairs, official liquidator will submit report to the court within sixty days.
- Examinees did not mention about preparation of the report on the viability of the business.

Question 7(b)i

Examinees mentioned that Zainab Saleem can file a petition for winding up; but they failed to mention the related condition like PL's numbers of members is reduced below three; and the shares were originally allotted to her and the holding period of shares.

Question 7(b)ii

- Examinees gave incomplete answers by mentioning one or two conditions, which must be fulfilled based on which application may be presented to the court.
- Examinees were not aware that Aurangzeb Mirza shall only be entitled if investigation of PL's affairs revealed negative grounds and an opportunity was given to PL.

Question 8

- Examinees were unable to establish that RL would not be able to send the financial statements 21 days before the annual general meeting (AGM) i.e. on or before 8 March 2022; hence, RL shall have to make application to the Commission for extension for filing the annual financial statements and for extension of AGM as well.
- Examinees were unable to state the requirement if general meeting does not adopt or defer consideration of financial statements.
- Examinees were unable to state that RL would not be able to prepare its first quarterly financial statements due to delay in finalization of 30 November 2021; hence, it should make application to Commission for extension.

Question 9

- Examinees were not able to establish that Fida Rehman is considered interested in the contract after acquisition of CPL's shares by his father.
- Examinees did not cover that general notice need renewal every year if the contract period is for more than one year.

Question 10(a)

Examinees wrote irrelevant details of registration of business as company.

Question 10(b)

Those examinees who reached to the correct answer in (a) were able to write only one or two exceptions.

Question 11(a)

Examinees were unable to state the requirements when Government or an authority can remove chief executive.

Question 11(b)

Examinees either covered the matters to be included in business review section of directors' report partially or covered on guesswork.

(THE END)